

Presentation DAGTVA - IVA Vienna 2016

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B2B – B2C cross-border transaction Payment by card and e-commerce

Slide Vienna A

Thanks.

Good afternoon ladies and gentlemen and thank you Stephen for this invitation to present my works today and also for your words about me.

Slide 2

Today I present you DAGTVA.

What's DAGTVA: DAGTVA is an automatic technical device for levying the VAT.

You have no human intervention in this process.

It's may be a solution to tackle fraud and DAGTVA offers other lot of possibilities.

Today I will present DAGTVA only through cross-border transaction B2B with payment by credit card.

It's also with two small details the B2C transaction on e-commerce.

You will see on this front page and on each slide, the word "TCE".

«TCE» means "Tax Clearance Extraction".

The "Tax Clearance" is the heart of DAGTVA. **Without this Tax clearance the payment in and by the banking system is impossible.**

And with DAGTVA the levying of the tax is **complete and done on each transaction.**

[Slide B general plan.](#)

The main points I will be talking about are:

Firstly: The on-line reporting or declarative system.

Secondly: the payment in banking system

Next: some DAGTVA properties.

And finally: your questions.

[Slide C](#)

Let's start with the on-line reporting or declarative system.

[Slide 3](#)

As you can read the device DAGTVA is divided in two separate and autonomous parts. The red line symbolizes the secret between the tax authorities and the banking system. Never one of them enters in the other part and the secret is guaranteed.

[Slide 4](#)

On top the part Registrants and Tax authorities.

And as you can read: the security and control of statements are assured by Tax authorities.

In this part you have the declarative system.

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The lower part of the screen will be used for the payments inside the banking system.

[Slide 6](#)

As you can read, the security and control of payments are assured by banking system.

[Slide 7](#)

DAGTVA uses these two secured environments to create a third new inviolable system for levying the tax.

[Slide 8](#)

We have the two parts on the screen; we will use these two parts.

Slide 9

The stakeholders are: the two countries.

On the screen this vertical line symbolizes the border between these two countries

If this virtual border country isn't used, is also a domestic transaction presentation.

Slide 10

On top: the Public Treasury, the tax authorities, and the declarants: B1 the purchaser and the seller B2, these two are liable to VAT (or another tax).

Below, the part banking system with the two banks.

Slide 11

There is a purchase between B1 and B2.

A payment by card is used and with the actual circuit, this (requested) payment arrives in the purchaser's bank before all controls in the on-line declarative system.

With this identified (requested) payment, the purchaser's bank requests automatically the Tax Clearance from the tax authority.

Without answer from the tax authority, the bank puts this payment in standby.

As today it's only a request of payment; you haven't any action on the purchaser's bank account.

Slide 12

(I can use another circuit for this payment but, if in the future this payment was made by another type of payment, by phone for example, there is not obliged to use the technical device of communications present in the country of the seller.

It's easier and more secure to use this domestic circuit. You have no use the communication technical means or entrance in the country of the seller).

In this same time, when the invoice is created and recorded in the account software of the company B2, the tax-return is automatically e-filed to the tax authority. It's immediate and we have no cost for this operation.

With this green arrow shows, the purchaser VAT number is automatically and instantly verified on purchaser side by the Tax authorities. (The fiscal references are registered with the number of the card).

I would like to draw you attention to this point.

It's useless to wait several weeks or months to have this verification. The quality of this purchaser is instantly controlled.

If there is a problem, the seller is instantly informed by automatic mail, the transaction isn't cancelled before tax authorities retrieved all payment information's present in the purchaser's bank in the waiting payment.

Therefore we have certainly all information in tax authorities to make possible prosecutions against the wrong purchaser.

We have in this tax-return:

1. The global identification of the sale,
2. The VAT number of the purchaser,
3. The amount NET,
4. The total VAT,
5. Accounting assignments for finance statistics and controls.

And all that is necessary.

In fact it's a simultaneous process. I separate these two slides: 11 and 12, to show you a better description.

Slide 13

Now, this edited invoice, in this case, is in the input mailbox of the purchaser's accounting computer.

The tax-return is completed and done for the seller.

Slide 14

The purchaser's bank already waits for the tax clearance.

Slide 15

The purchaser records this purchase in his account software, as he usually does, like today.

He wants to have his VAT refunded and obliged the seller to have made earlier the same tax-return.

It's the key of this declarative system.

With the same details, the tax-return of the purchase is e-filed and done.

You have certainly two identical tax-returns except for taxpayer identifiers of each company, concerning this same invoice.

When a tax authority receives a tax-return for a purchase, the system automatically verifies if there is an existing same tax-return on seller side. The answer is returned instantly.

The tax authorities on both sides check automatically if is true.

If exists a difference, e-mails are automatically sent to B1 and B2 and tax authorities of these two countries have a look on this problem.

I insist on the fact, that as long as there is a declarative problem.
We haven't the Tax Clearance.
The request of payment is in standby in the bank.
And the payment is impossible.

Slide 16

These two tax-returns are certainly similar and correct.

Slide 17

The tax authorities check and calculate the "Tax Clearance" to apply on this transaction, on purchaser side.

Why check and calculate? The "Tax clearance" is the VAT value. But it's possible you have some mistakes by difference between the tax rates and the analytics assignments in the tax-return, detailed in the invoice. The Tax authorities correct the mistakes and inform B1 and B2.

We work in VAT environment and the guidelines of European Union and OECD want that the VAT have a treatment on consumption side, including completion of the transition to the destination principle.

Slide 18

Now the « Tax Clearance » is ready.

All is ready for the banking payment.

That's all. I can stop here my presentation; take my suite case and come back home.

Let me expand on this important point.

Before this payment, the tax authorities have all information about the turnover and the VAT on this transaction, for these two companies. It's the same thing in all transactions.

The VAT may remain and used like today.
Only the tax-returns are modified.

As consequences: actual global tax-returns on turnover and VAT are useless and VAT credit with many frauds disappears.

The fiscal evasion and optimized fiscal policies are also impossible to implement.

And if this transaction is inside a group with head office and branches, subsidiaries or inside a holding, **the international games are over!**

Implementation the on-line declarative system - additional comments:

The first step to implement DAGTVA;

It's possible also to implement only this on-line declarative system in a country and this technical means may be work in parallel of the actual declarative system.

During this time where these two systems are used, nothing is modifying in the rules of the actual indirect taxation, but the tax authority has all information's to ensure the tax certainty on benefit this State.

The second step to implement DAGTVA.

When all the tests are correct and efficient in companies and tax authorities, the actual declarative system by global tax-returns may be disappearing.

Implementation the withholding indirect tax - additional comments:

*The levying by withholding the indirect tax by split-banking of the payment in the banking system is another process, it may be never used but, as I saw before, we work in VAT environment (I write from France) and the guidelines of European Union and OECD want that the VAT have a treatment on consumption side, including completion of the transition to the destination principle, to put in correspondence the level of consumption with the level of indirect taxation, and to return on my presentation, **the problem of VAT carousel can still persist**. It's precisely for this reason that the indirect tax must be levied directly on the payment in consumption side.*

You know, there is the problem of the missing trader.

I will show you how this problem of carousels can be solved with DAGTVA.

[Slide Menu 2](#)

It's the end of this part one, the on-line declarative system.

And now let's move on point number two: the payment in the banking system.

[Slide 11 flashback](#)

*I make a flashback to remember you the **slide 11** where the request of Tax Clearance is already made.*

[Slide 19](#)

On purchaser side, the tax authority, returns the ready "Tax Clearance" to the bank.

[Slide 20](#)

With this Tax Clearance, the purchaser's bank can debit the purchaser's account, all taxes included.

Please note: with this system, you can see that it's impossible to pay something with virtual money inside a "blockchain" system as "Bitcoin".

The payment can't escape to the banking system and the laws applied by the tax authorities, when the tax is present in the invoice.

Even when the rate of this tax is zero (*we can speak over the night on this “zero”, is another quality of DAGTVA, the possibility to see the “without VAT” disappear and all the economical sectors enter in the VAT environment, theme very important for the total control of taxation by the tax authorities*).

Slide 21

The debit advice including VAT is returned to the purchaser.

Slide 22

The purchaser's bank knows how execute this payment, and split now the debit in NET and VAT.

Slide 23

The output VAT is instantly credited to the Public Treasury.

The VAT is directly extracted inside the payment present in a “dummy” it's a transit memory in the IT registered memories of the bank accounting software and **the VAT not transit into a bank account.**

You have no intermediary between the company liable to VAT and the Public Treasury.

Slide 24

The purchaser tax authority is informed.

You can see, the output VAT is levied on the purchaser side.
It's the side of consumption, in accordance of European and OECD guidelines.

You can see also that the output VAT never returns in the seller company, in seller side.

With DAGTVA the output VAT never returns in the economical circuit.

With principal consequence: we never have the amount of the VAT due to the Public Treasury in the pocket of the possible missing trader.

It's the end of VAT carousel!

And to conclude with a laugh in this slide, the Treasury can say, “My money in first, and if you have no money for paying the NET it's not my problem, you can see that with your bank”.

Slide 25

The credit of VAT is verified in purchaser tax authority.

The tax authority gives an order to the purchaser's bank to pay the NET balance.

It's also at this moment where the tax authority pays the bank for the job (use of 1% to 5% of the tax present in the invoice). This payment is deducted on the amount of recovered fraud, not in the present VAT.

In the same time, with this NET payment, the "Tax Clearance" is joined as information of debit VAT, to the seller's bank.

It's also the second security key for the bank B2 to accept this transfer on the seller's account.

The tax authority can inform, if necessary, the seller tax authority.

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On purchaser side, there is an all taxes payment included with VAT extraction to the Public Treasury.

On seller side, a credit NET balances with the "Tax Clearance".

In this case, the "TCE" is debit information on seller side.

Slide 27

The NET is credited.

Slide 28

A credit advice is addressed to the seller, stipulating that the output VAT was previously levied on the transaction.

With this advice, you have the right balance in the seller account software.

Slide 29

On purchaser side, the tax authority orders the reimbursement of deductible VAT with a credit advice of this VAT.

You can have a different timing for all these operations.

Slide 30

As you can see, you have a correct balance and **the total neutrality of VAT on the transaction.**

The same, if you have 1 hundred or 1 billion of transactions!

With DAGTVA the domestic and cross-border transactions B2B **are free tax!**

If you apply DAGTVA in the 157 countries who applied the VAT, the international commerce on B2B is free tax! (Except North America but in one sense only, I explain this later in the Scandia case law).

Slide Menu 3

In point one we looked at the on-line reporting system.
And in point two we talked about levying the tax.

Now to conclude and before your questions, some properties of DAGTVA:

Return Slide 30

And as you have seen, DAGTVA never manipulate fund in his process, it's very secure.

Now, It's on the screen, there is no fund in the treasury of each country is the total neutrality of the VAT.

Since the beginning of my presentation, I showed you a system to levy the VAT.

But DAGTVA can be used in other environments.

First: with the DAGTVA tax system, if I put the name "Manufacturer" on B2 and "Wholesaler" in B1, we have no tax in this transaction.

And in the next transaction "Wholesaler" in B2 and "Retailer" in B1 we have also no tax in this transaction.

We can see that we are in front of the "Retailer System Tax". And I do nothing to swap to VAT / RST or RST / VAT.

In conclusion of this first possibility, DAGTVA is a mix, an hybrid of these two systems of taxation.

Czech Republic may use this system to implement the RST tax system, this system where we have no taxes in B2B transactions.

It's possible to use DAGTVA in Czech Republic to do this and keep also a classical VAT system tax in other parts of taxation of the country.

Second possibility:

Now, let me go back to one slide before (29) when the VAT is refunded, it's a VAT system tax.

One more time, I go back to one slide before (28), what do you see? You erase "output VAT" and replace "VAT" by "GST or TPS", we are in front of GST /TPS system tax and I do nothing to swap to GST/TPS system to VAT system or RST system, as you want.

You see with this second possibility DAGTVA is also a mix, an hybrid, between these two systems of taxation: GST/TPS and VAT, but VAT is also RST.

DAGTVA can be used in all systems: GST – TPS – VAT – RST.

DAGTVA is independent of the indirect tax system used.

In this slideshow you have the birth of universal system for levying all taxes inside different taxation systems.

A small thing:

On the slide 28, only this slide can gives to the American Tax Administration 1 hundred billion \$ each year, 1- hundred - billion - \$!

It's the value of fraud on GST in USA and also 10% of GDP in Canada (OECD report in 2010). It's certainly worst today!

Additional comments: it would be unrealistic to think a new indirect tax system without considering the consequences it would have on the banking system. Therefore it's necessary to think about a system that strengthen the European Union and also in 139 other countries where the VAT is applied. But this is not enough, because change this environment to obtain an efficient tax certainty in the indirect tax system does not only affect the countries where a current VAT system is applied, but also the GST/TPS tax system in North America, to mention a few, with first consequence, a potential economic and monetary imbalance in the banking system and also between banks and States. This requires that the improvement is felt everywhere, always to avoid harmful imbalances, with the proposal of a compatible system with any form of indirect taxation: VAT, RST, GST, and TPS.

In fact to summarize, it's impossible to provide a solution to the problems of fraud in the European Union, which a solution would bring about € 200 billion to the coffers of States in the VAT environment by the injection of the equivalent of 2/3 annually amount of the JC Juncker's plan in the European economy, and leave the North America (USA and Canada) with \$ 100 billion of fraud. The annual differential would be between these two continents of around €/\$ 300 billion. If we apply the same differences for other parts of the world, the consequences would strengthen an unacceptable global economic and monetary imbalance.

DAGTVA is an indirect tax system that provides the same benefits inside all tax systems in operation around the world in a global and stable banking environment with guarantees of tax certainty for governments.

Another small thing: on the slide 29, only this slide can gives to the European Tax Administration, in the 28 States, 2 hundred billons € each year, 2- hundred - billons - €!

It's the value of fraud on VAT in Europe.

It's a small thing!

And I don't speak about the fraud in other countries.

Around the word today is 1 thousand 5 hundreds billons \$ of taxation frauds each year!

We have also 8 thousands 6 hundreds billons \$ of wealth offshore or fiscal evasion around the world!

Source of this last information: Professor Gabriel Zucman, Berkley University.

I return on DAGTVA.

DAGTVA may be a valid worldwide system.

And you can swap to one taxation system to all others systems without modification.

And to work correctly, this worldwide system needs to have a common declarative system for transactions.

In fact, this declarative system is a very small part of the taxation directive of each country. It only needs some small interfaces software.

With this requirement you have the birth of a worldwide declarative system tax and also the birth a European or worldwide fiscal number (in B2C).

It's not finished!

Another very important DAGTVA property.

Now let's look again on the slide where the invoice is created, (slide 11).

Please, concentrate your attention on right seller side of this slideshow.

We have only the creation (11) and the tax-return of this invoice (12)

Scrolling slide 11 to 30.

There is at the end the NET payment in seller's side.

Do you know the taxation system applied in seller side?

You don't know!

With this property you can mix all taxation systems in left and right slides on DAGTVA system.

And also have a clear fiscal transaction with a seller not liable to VAT on right side. Why not?

As the "Uber Taxi" or the owner of an "AirBnB" apartment.

And also with **all persons who have a phone and can work in collaborative economy.**

With the development of the IT technologies distributed on website around the world, without border countries, where laws are different and not respected, today is impossible to forbid this collaborative economy and why forbid this economy.

With DAGTVA the collaborative economy can return in the law for the best for all.

It's very important for the further development and structure of companies and workers environments.

To add to the last sentence, DAGTVA can also mix different taxation systems of different countries and provinces.

This property of DAGTVA is very important.

To illustrate this:

We can see that in a federal state as India, where taxation systems present many differences in each province.

DAGTVA may be a universal system for levying taxes in local and federal taxation systems in the same times.

Is possible with this system to levy several different taxes in each province, and several different taxes between provinces, and several different taxes between provinces and federal state, and with all people not liable to VAT, inside all this different taxations systems and use only a single DAGTVA tax system.

(These comments in italics are added later the presentation in Vienna. It's now possible to implement the DAGTVA tax system for example in: Australia, Canada, India, United States of America, United Arab Emirates and Gulf Cooperation Council, etc.)

It's not finished!

Before ending my presentation, I would like to show you another one particularity of DAGTVA.

You can apply that I describe now with all others types of payment: bank transfer, phone and etc. but to stay in this slideshow, where I show you previously the B2B transaction. In fact we are also in a B2C transaction by e-commerce.

Very important type of transaction today with these transactions by e-commerce and many problems the international tax authorities have with them.

Around the world, in each country, you have many very poor people and if I return on top of my slideshow when the payment is e-filed (slide 12).

You delete the impossible e-filed tax-return of this purchaser no liable to VAT (slide 15).

You replace purchaser B1 by "ultimate consumer", this poor person.

If I return on slide 11 you see this green arrow between the two tax authorities. Where I explained in B2B transaction, the VAT number is verified.

In transaction B2C is impossible to verify this VAT number, the ultimate consumer is not liable to VAT.

To solve this problem it isn't the VAT number but the fiscal number who is verified.

Why this is possible?

When in the future you want a credit card in your bank, your bank wants your fiscal number and it's written on the EPROM of the card.

Why this is necessary?

In fact, this ultimate consumer can't have access to the VAT process.

And it's the seller tax administration, with his fiscal number, who makes the tax-return for him, into the purchaser tax administration.

With DAGTVA, when this person buys something on a website, he must give all the information that he can read on his credit card, as today or to have a terminal for reading automatically these cards.

And he must also give in an input field his fiscal number he has to remember (in his brain).

It's very secure for his banking account and the banking system if the card is lost or stolen.

His credit card is unusable.

But the best of this property, as I explain before you have no difference between a company and you and me.

You and me are not liable to VAT and can use the same taxation system than a liable company.

And the poor people can have the VAT refunded in some cases as companies.

And it's possible to give them a better purchasing power without increasing the wages in companies.

(Text adjoined after the presentation made at the OECD Work Group 9 in November 2016 where the DAGTVA social side was shown through the future payment by phone around the world, when the cash disappears (Sweden and Denmark in 2020) and with the measures against the cash in India since January 2017.)

For the OECD slideshow it's at this address: <http://bit.ly/2ioLdPW>

And the text adjoined for this slideshow: <http://bit.ly/2jIEySC>

Briefly other things.

The actual European VAT Directive 2006/112/CE is not involved by this system. Presented, debated and confirmed by Mr Stephen Dale actual President of the International VAT Association.

To use DAGTVA you have no modification on the VAT treatment, nothing to renegotiate.

Only some items of this directive become useless as VAT groups which de facto disappear.

In companies, global tax-returns disappear.

The VAT credits disappear.

In companies, the VAT differential is only accounting balance information between purchases and sales.

I said before, with the reverse charge applied on each transaction for each company the VAT groups disappear and the M.O.S.S is generalised.

There are many other things I want to present today, but my time is over and it's the end of my presentation.

END PROCESS

Thank you for your attention.

And now do you have any questions?